

Tucson Electric Power

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July 9, 2021

*In the Matter of Impact of the Closures of Fossil-Based Generation Plant
on Impacted Communities (Docket No. E-00000A-21-0010)*

Tucson Electric Power Company (“TEP” or “Company”) hereby provides a response to the Commission Staff request dated June 11, 2021 in the above referenced docket regarding the impact of the closures of fossil-based generation plants on Impacted Communities.¹

TEP recognizes the impacts that power plant closures will have on surrounding communities and has supported the efforts of the plant operators at the Navajo Generating Station (“NGS”), the San Juan Generating Station (“SJGS”), and the Four Corners Power Plant (“FCPP”) in developing transition plans for those facilities.

In Decision No. 77856 (December 31, 2020), the Commission ordered, among other things, that:

- TEP propose, in its next rate case, a method of using securitization to accommodate the early closure of certain facilities, including NGS and Springerville Generation Station (“SGS”);
- Staff open a generic docket, “...to address the impact of the closures of fossil-based generation plant on Impacted Communities;”
- TEP’s most recent rate case docket, “...be held open for a Phase Two proceeding for receipt of additional evidence and testimony regarding the findings, conclusions, and recommendations of the generic docket;” and
- A procedural conference for the Phase Two proceeding be held, “...within 45 days of the issuance of a Decision in the APS rate case...”²

The Company looks forward to participating in the generic docket and the Phase Two proceeding. The ALJ’s recommended opinion and order, and the Commission’s decision in the pending APS rate case³ will be informative to both proceedings as it relates to APS’ proposed funding plan for coal impacted communities.

As the operator of the SGS, TEP is providing the following information to address the Company’s transition efforts for TEP’s owned SGS Units 1 and 2.⁴

¹ Per the proposed ACC Energy Rules, “Impacted Communities” is a defined term meaning “cities, towns, counties, communities, tribes, census-designated places, and non-incorporated geographic areas that will be negatively affected, financially or socially, by the closure of Conventional Energy Resources or mining facilities, located in or near their jurisdictions or boundaries, that have been a source of economic income and employment”. Definition No. 49; <https://docket.images.azcc.gov/0000203919.pdf?i=1625766079320>

² <https://docket.images.azcc.gov/0000202798.pdf?i=1625848227232>

³ Docket No. E-01345A-19-0236

⁴ While TEP is the operator of total SGS operations, Unit 3 is owned by Tri-State generation and Unit 4 is owned by SRP and these owners have not announced closure intentions for these units that the Company is aware of.

The 2020 TEP Integrated Resource Plan (“IRP”) provides a strategic pathway to reduce the Company’s carbon emissions 80% below 2005 levels by 2035.⁵ To achieve this carbon reduction responsibly, TEP has planned an 11-year ramp-down of TEP’s two units at SGS which enables the achievement of several objectives: i) a reduction of the two units’ 200 employee workforce by job placement and attrition rather than layoffs;⁶ ii) continued reliability with seasonal operations of both units until their eventual retirement; and iii) gradual replacement of resource capacity with new renewable generation.

Specifically, the ramp-down plan calls for cycling one of the TEP units offline during cooler months beginning in 2023 before retiring Unit 1 in 2027 and continuing seasonal operations of Unit 2 through its retirement in 2032. The 11-year time frame also enables the reduction of capacity at SGS and other retiring units to be gradually offset by the planned addition of 2,457 MW of new renewable generation – including 447 MW that will be operational this year⁷ – and 1,400 MW of energy storage by 2035.

In terms of affected communities, SGS is located in a remote area of eastern Arizona in Apache County, near the New Mexico border about 10 miles northeast of the adjacent towns of Springerville and Eagar. Located on the Colorado Plateau at an elevation of 7,000 feet, Springerville is surrounded by extensive state and federal forest lands. To varying degrees, impacted communities include Apache and Navajo Counties, including the towns of Springerville, Eagar, St. Johns, Show Low, Pinetop–Lakeside, Snowflake and Taylor.⁸

To engage the community and employees on the closure transition, TEP has formed an internal team to explore job transition, increased training and education and is working closely with the other SGS participants to align and coordinate our community transition efforts.

The ACC’s proposed Energy Rules require utilities to “give preferential treatment to Renewable and Clean Energy Resources sited or deployed in Impacted Communities.”⁹ TEP supports this requirement which will help guide its long-term IRP process. As noted in the TEP 2020 IRP, TEP intends to issue RFPs for renewable and energy storage capacity that could be sited on or near these Impacted Communities as part of future IRP planning cycles.

Federal funding opportunities for impacted communities appear to be evolving.¹⁰ Last month, the U.S. Department of Energy announced funding for projects that directly support job creation in communities impacted by power plant closures and identified 25 priority communities

⁵ <https://www.tep.com/wp-content/uploads/TEP-2020-Integrated-Resource-Plan-Lo-Res.pdf>

⁶ 200 employees is a current estimate which may fluctuate and will gradually decline. Job placement is already occurring.

⁷ Oso Grande and Borderlands Wind Projects in New Mexico and the Wilmot Energy Center solar plus storage project in Tucson; <https://www.tep.com/wp-content/uploads/TEP-2020-Integrated-Resource-Plan-Lo-Res.pdf>

⁸ Apache County is significantly more impacted than Navajo County.

⁹ Section R14-2-2708(C)(3); <https://docket.images.azcc.gov/0000203919.pdf?i=1625766079320>

¹⁰ President Biden set up the White House Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization (housed within DOE). <https://www.energy.gov/articles/doe-announces-1095-million-support-jobs-and-economic-growth-coal-and-power-plant>

for existing and future federal investment (Arizona and the Four Corners region is ranked tenth on that list).¹¹

TEP is in the early stages of its transition planning at SGS and will continue to develop its plans over the next few years. The Company is committed to continuing its work with stakeholders and the ACC within this generic proceeding, and the upcoming Phase Two proceeding, to determine the types of development activities and community programs, while simultaneously addressing the funding requirements and the cost recovery mechanisms needed to support the Impacted Communities.

¹¹ President Biden set up the White House Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization (housed within DOE); <https://www.energy.gov/articles/doe-announces-1095-million-support-jobs-and-economic-growth-coal-and-power-plant>